PREFILED WRITTEN STATEMENT
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My name is Robert W. Smith, Jr. I am a partner at the law firm of Piper Marbury Rudnick & Wolfe LLP. My testimony is intended to summarize the specific terms of the proposed transaction and the Agreement and Plan of Merger entered into by WellPoint and CareFirst on November 20, 2001.

Conversion and Payment of Consideration

Under the Agreement, CareFirst will convert from a not-for-profit company to a for-profit company. In connection with the conversion, shares of CareFirst common stock will be issued to charitable foundations designated by the appropriate state regulatory bodies. In Maryland, this will be the Maryland Health Care Foundation. Immediately following the conversion, WellPoint will acquire CareFirst pursuant to the terms of the agreement. Under the terms of the agreement, a newly formed wholly-owned subsidiary of WellPoint will be merged into CareFirst, which will survive as a wholly-owned subsidiary of WellPoint. All of the consideration paid by WellPoint in the transaction will be given to the charitable foundations in exchange for their shares of CareFirst received in the conversion.

Merger Consideration

The total purchase price for the CareFirst shares is $1.3 billion. The following describes the form of merger consideration:

- **Cash:** At least $450 million of the total purchase price will be paid in cash. WellPoint, at its option, can elect to pay any part or all of the balance of the purchase price in cash.

- **WellPoint stock:** As long as the average market price of the WellPoint common stock is at least $70.00 per share, any portion of the purchase price not paid in cash (an amount up to $850 million) will be paid in WellPoint common stock. The stock will not be registered but the charitable foundations will have the right to sell the stock by virtue of: (1) a 180 day shelf registration statement to be effective and available at the close of the merger which will provide immediate liquidity; (2) one demand registration right for the period from 180 days after closing to one year after closing; and (3) piggyback registration rights. After one year, the stock can be sold under Rule 144 under the Securities Act, which will permit the sale, at a minimum, of up to 1% of WellPoint's outstanding shares every three months.

  Subordinated notes: If the average market price of the WellPoint common stock falls below $70.00 per share at the time of the calculation of the number of shares to be delivered at closing, WellPoint, at its option, is entitled to calculate the number of shares to be delivered by assuming a $70.00 stock price, and cover the shortfall in the total purchase price by issuing subordinated notes. The merger agreement includes procedures for establishing the interest rate of the subordinated notes intended to cause the market value of the notes to equal their face value at closing. The notes will not be registered and may be transferred only upon approval of WellPoint in a private placement to institutional investors in denominations of $25 million or more (or less if the full amount of the Note held is being transferred). WellPoint may not unreasonably withhold its approval.

WellPoint may or may not use its right to deliver notes, and always is entitled to use cash or common stock. WellPoint's Common Stock closed at $121.50 per share on March 1, 2002.

Representations and Warranties

CareFirst and WellPoint both provide representations and warranties customary for a transaction of this type. In CareFirst's case, this includes representations and warranties pertaining to financial statements, insurance reserves, material contracts, litigation, compensation plans, intellectual property and other items. WellPoint's representations and warranties are more limited but include a representation and warranty as to the accuracy of WellPoint's financial statement and SEC disclosures. If either party's representations and warranties are untrue in a material respect, the other party may elect not to close. If closing occurs, the representations and warranties do not survive.

Maintenance of Local Presence

Several provisions in the merger agreement are designed to ensure that each CareFirst Blues plan continues its focus on meeting local healthcare needs. After the merger, each CareFirst Blues plan will continue to have a headquarters in its current jurisdiction (Delaware, D.C. and Maryland), and the headquarters of the WellPoint southeastern region will be located in Maryland. The merger agreement further provides that:

- one CareFirst Board member will be selected by WellPoint (after consultation with CareFirst) to serve on the WellPoint board, to serve the longest term possible based upon available classes;

- the Chief Executive Officer of CareFirst will be the President of the Southeast Business Region, and other senior officers will be assigned significant responsibilities regarding the business of CareFirst; and

- directors who serve on subsidiary boards of directors and directors who serve on the CareFirst board of directors but not any subsidiary board will be appointed to serve on one of the three local advisory boards (which will be created for each of Maryland, Delaware and the District of Columbia).

Conditions to Closing

The agreement contains conditions to closing customary for a transaction of this type, including the following:

- All representations and warranties made by the respective parties in the merger agreement must be true and correct in all material respects on the closing date. The non-breaching party can choose not to close if this is not the case.
- WellPoint will not have to close in the event of a material adverse change in the business, operations or financial condition of CareFirst.
- CareFirst will not have to close if at any time prior to closing, the 20-trading day average of WellPoint's common stock falls below $50 per share.
- Neither CareFirst nor WellPoint will have to close if requisite governmental approvals cannot be obtained without materially burdensome conditions. What constitutes materially burdensome conditions includes any regulatory condition that materially limits the ability of WellPoint to vote the CareFirst shares or operate its or CareFirst's business or materially changes the terms of the consideration payable under the merger agreement.
- WellPoint will not have to close if material litigation relating to the conversion or the transaction is pending. The interpretation of this provision will be subject to an arbitration intended to require an objective third party to conclude that the risk of the litigation is material.
- Neither CareFirst nor WellPoint will have to close if the parties shall not have received a private letter tax ruling on the tax-free status of the conversion. The tax advisors to CareFirst indicate it should be readily obtained. The charitable foundations are required to indemnify WellPoint from any loss resulting from a revocation of the private letter ruling. The parties plan to obtain insurance coverage for such indemnity, and WellPoint has agreed to contribute up to $5 million for the premium for such insurance.
- WellPoint will not have to close if approval by its stockholders is required and not received. Approval by the stockholders of WellPoint is required only if the aggregate number of shares of stock to be delivered by WellPoint exceeds 20% of its outstanding shares. Based on WellPoint's current stock price and shares outstanding, a stockholder vote is not expected to be required.

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Non-solicitation and Termination

Under the terms of the merger agreement, CareFirst is precluded from soliciting other proposals regarding the acquisition of CareFirst. The agreement, however, does not preclude CareFirst from making any disclosure of information required by law or considering and negotiating non-solicited offers to acquire CareFirst if the failure to do so would be inconsistent with CareFirst directors' fiduciary duties. This provision effectively permits CareFirst to consider, and ultimately to accept, a proposal which is superior to the agreement with WellPoint. WellPoint has the right to match any superior proposal.

The agreement contains termination provisions typical for this type of transaction, including termination for material breach of representations and warranties and any failure to obtain requisite governmental approvals within three years after the date of the agreement. In addition:

- CareFirst may terminate the merger agreement if it receives and accepts an unsolicited superior proposal from another company after determining that acceptance of such proposal is required for the board of directors to comply with its fiduciary duties under applicable law. In such event, CareFirst would have to pay WellPoint a $37.5 million break-up fee (about 3% of the total purchase price). WellPoint also will receive a $37.5 million break-up fee if it terminates the merger agreement because of CareFirst's breach, and at the time of the breach CareFirst was aware of another merger proposal and within 12 months of such termination, CareFirst executes a merger agreement regarding any other merger proposal.

- If CareFirst or WellPoint terminates the merger agreement because of the other party's breach, the non-breaching party will be entitled to have its expenses reimbursed by the other. The amount of any expense reimbursement is subject to a $3 million cap.

The 3% break-up fee and expense reimbursement provisions and the terms under which they are payable are consistent with terms contained in other comparable merger agreements and within the range found enforceable under relevant case precedent. In addition, they are consistent with (and in certain respects more favorable to CareFirst than) the terms proposed by a competing bidder.

Officer and Employee Matters

For six years after the closing date of the merger, CareFirst directors and officers will continue to be indemnified for their acts before the closing date of the merger and receive insurance coverage, subject to limits on the aggregate cost of the insurance, in each case on a basis consistent with the protections afforded to directors and officers prior to closing.

CareFirst and WellPoint have sought to ensure the post-merger retention of CareFirst associates by agreeing to continue associate benefits for a period of time after the merger. The merger agreement provides that:

- for four years after the signing of the merger agreement, associate benefits may not be reduced, except as required by law or as approved by the President of CareFirst as being in the best interests of CareFirst;

- for five years after the completion of the merger, the benefits under the pension plan may not be diminished for vested participants who are least 45 years old and have a sum of age and years of service of 65 or more; and

- after the completion of the merger, the benefits for Delaware associates will be protected as provided under the Delaware affiliate agreement with CareFirst.

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